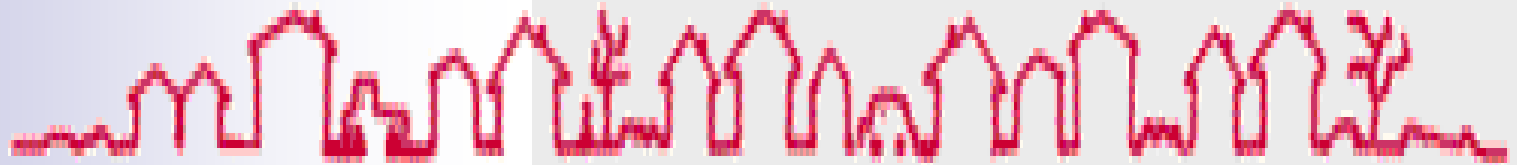




# Meeting Low/Mod Income Requirements for CDBG Activities



**State of California**  
**Department of Housing and Community Development**

# HOUSEKEEPING

- ✓ Today's schedule
- ✓ Cell Phones
- ✓ Restrooms
- ✓ Breaks / Lunch
- ✓ Yellow sticky pads
- ✓ Questions are **GOOD!** *Ask anytime.*
- ✓ Parking Lot Questions

# TODAY'S OBJECTIVE

- ✓ By the time you leave today, you will understand the different CDBG National Objectives, when to use each one, have a working knowledge of the INCOME determination process, recognize red-flag issues and know what is required for a fully documented file.

# TODAY'S TOPICS

- CDBG National Objectives
- Low/Mod National Objective
- Website Review
- CDBG Income Qualifying Matrix
- Self-Certification
- Part 5 Income Qualifying
- Red Flags
- Post Test / Evaluation

# WHAT WE WILL NOT COVER

- HOME Income Qualifying Questions
- Adjusted Income Issues
- Recertification (HOME)
- Slum / Blight (CDBG)
- Urgent Need (CDBG)
- Neighborhood Stabilization Program (NSP) program questions
- HUD Income Calculator

# CDBG NATIONAL OBJECTIVES

CDBG's primary objective is to develop viable communities by providing decent housing, a suitable living environment and expanded economic opportunities ***principally to persons of low and moderate income.***

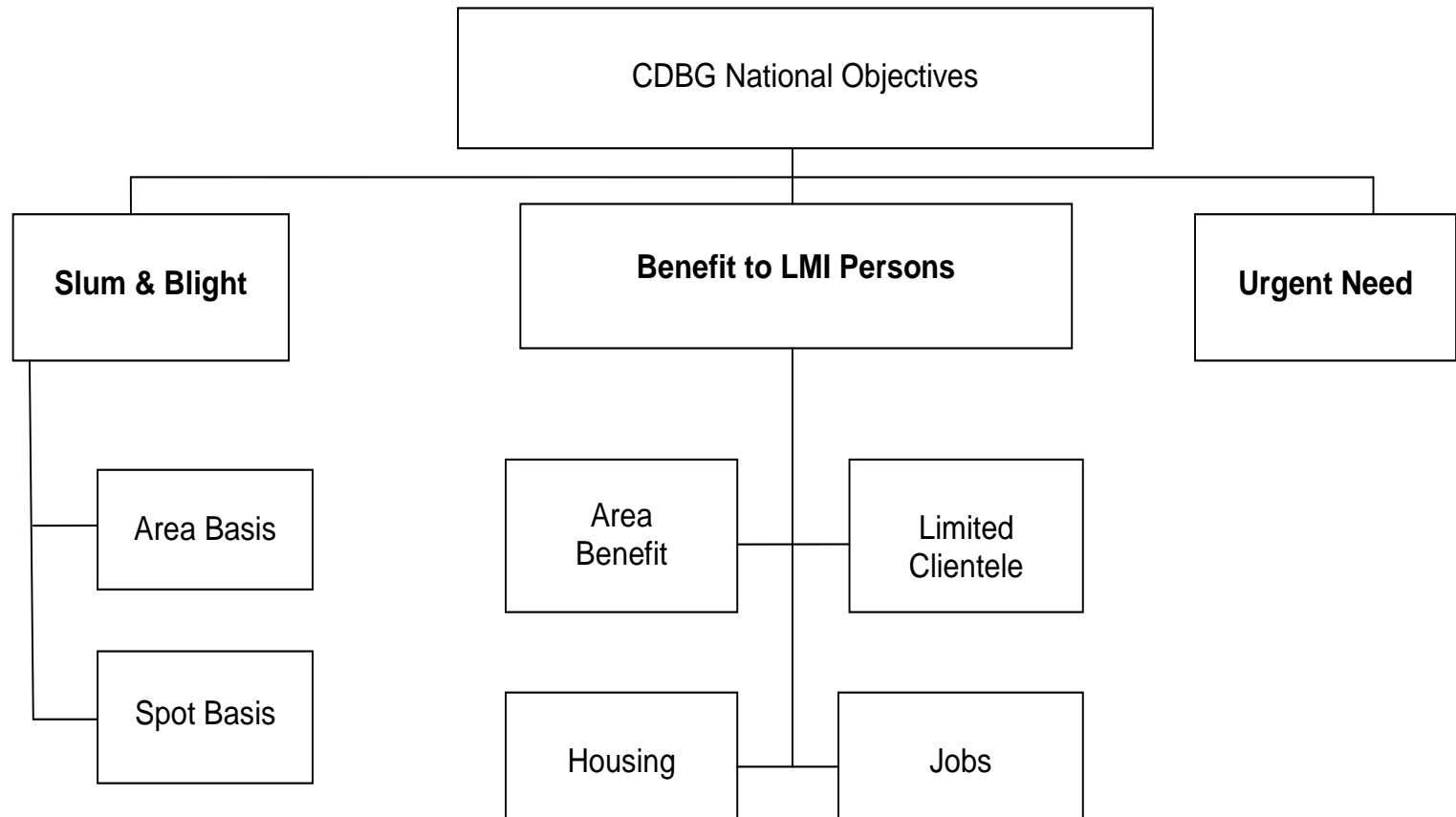
An eligible **ACTIVITY** loses its eligibility if it does not meet a National Objective (and all associated expenses are no longer eligible expenses and must be repaid).

# CDBG NATIONAL OBJECTIVES

There are 3 CDBG National Objectives, and each one has a specific benefit.

- Benefit = Eliminating Slum/Blighted Conditions (not discussed today)
- Benefit = Meeting an Urgent Need (also not discussed today)
- Benefit to Low/Moderate Income Persons/Households/Families

# CDBG NATIONAL OBJECTIVES – Handout #1





# CDBG NATIONAL OBJECTIVES

- **CDBG Low/Moderate** definition
- “Low” is  $\leq 50\%$  of the Area Median Income (AMI)
- “Moderate” is  $\leq 80\%$  AMI
- This is DIFFERENT from HOME’s definition  
CDBG Moderate = HOME Low (80% AMI)
- NOTE: NSP and Disaster Relief Initiative (DRI) include “Middle,” which is  $\leq 120\%$  AMI.

# CDBG NATIONAL OBJECTIVES

## Benefit to Low/Moderate Income *Categories*

- **Area Benefit:** 51% of the Service Area residents must be LMI persons:
- **Limited Clientele:** (incl. 'presumed')
- **Jobs:** 51% of all created/retained Jobs must be Low/Moderate *persons*
- **Housing:** All must be Low/Moderate *households*



# CDBG NATIONAL OBJECTIVES Low/Moderate Income

- **Area Benefit: Not Discussed Today**

Required in the File: Evidence that the Service Area Meets the 51% Low/Moderate Requirement

# CDBG NATIONAL OBJECTIVES

## Low/Moderate Income

- **Limited Clientele**: The eligible activity (usually a service or a facility) provides benefits that are 'limited' to specific groups (rather than everyone in an area).

There are 3 sub-categories under Limited Clientele, and they are:

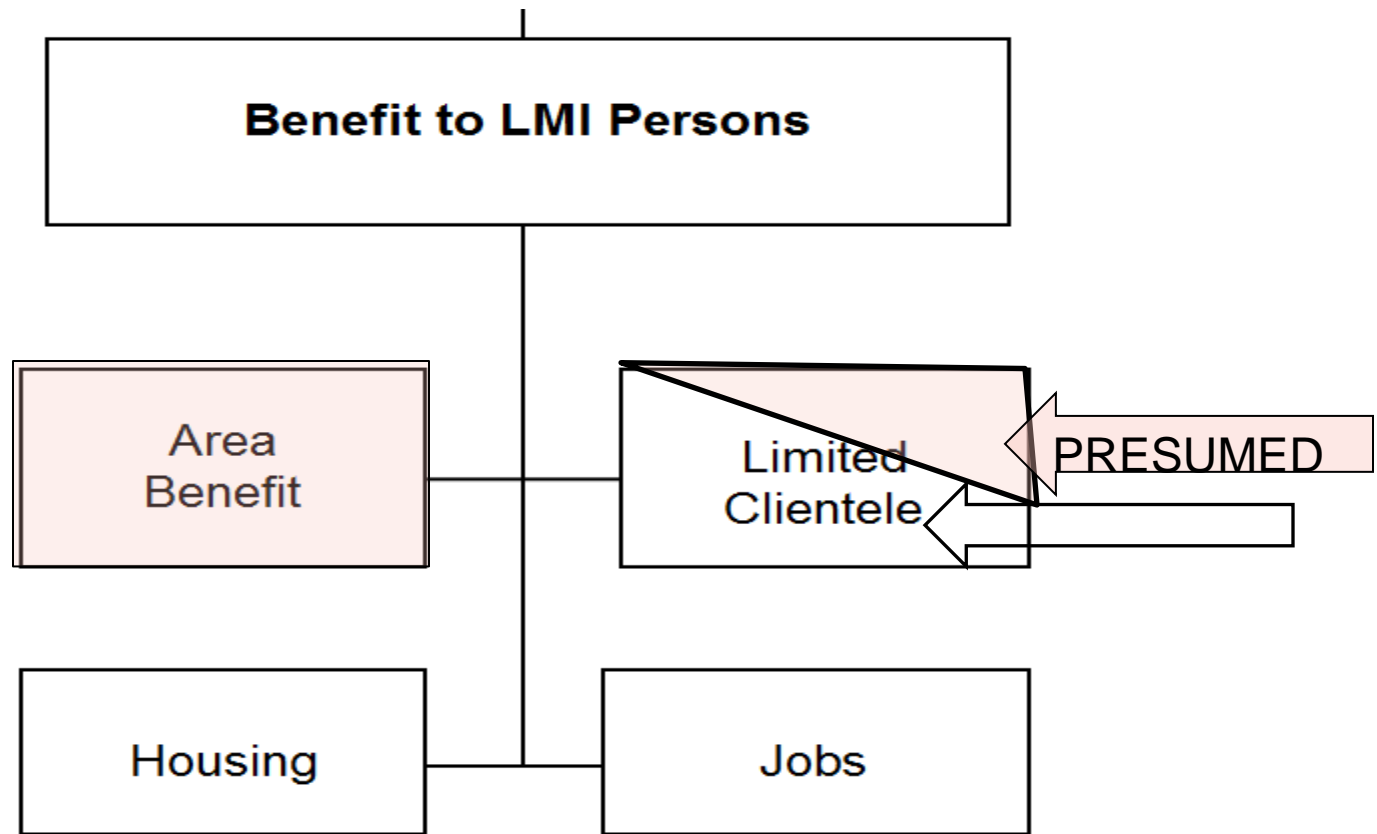
# CDBG NATIONAL OBJECTIVES

## Low/Moderate Income

### ✓ **'Presumed' to be LMI**

These are groups presumed by HUD to be made up principally by Low/Mod income persons. (Specifically, Abused Children, Elderly Persons, Battered Spouses, Homeless Persons, Severely Disabled Adults, Illiterate Adults, Persons Living with AIDS, and Migrant Farm Workers); or

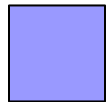
# LMI National Objective



# HELPFUL WEBSITES

## **HCD Income Calculation and Determination Guide for Federal Programs:**

<http://www.hcd.ca.gov/fa/cdbbg/GuideFederalPrograms.html>



# CDBG NATIONAL OBJECTIVES

## Low/Moderate Income

Also under **Limited Clientele** are:

- ✓ Low/Mod Clients (not “presumed”); or
- ✓ Micro-Business owners receiving Technical Assistance services

***Caution:*** Micro-Business TA requires self-certified income. However, Micro-Business LOANS require full Part 5 income qualifying.



# CDBG NATIONAL OBJECTIVES Low/Moderate Income

- **Limited Clients** (as opposed to Limited Clientele):

Special Case: Assessments for  
Public Improvements

# CDBG NATIONAL OBJECTIVES

## Low/Moderate Income

**Jobs:** Special Economic Development assistance to Businesses for either

- ✓ Job Creation (requires a minimum of 51% of those hired are for Low/Mod persons), or
- ✓ Job Retention (minimum of 51% are held by Low/Mod persons)

*(NOTE: Public Benefit is separate)*

# CDBG INCOME QUALIFYING

- State Requirement:*** When a *Family's*\*\* or *Household's*\*\* (\*\*including one person) income is required, use
- ✓ Self-Certification if the activity provides *goods and services* (**not** a direct financial benefit); and
  - ✓ 24 CFR Part 5 if the activity involves a *loan or grant* (**is** a direct financial benefit, including all housing activities)

# CDBG INCOME QUALIFYING

**NATIONAL OBJECTIVE: Benefit to LMI Persons**

Area  
Benefit

**Limited Clientele  
*FAMILIES***

**Housing  
*HOUSEHOLDS***

**Jobs  
*FAMILIES***

# CDBG INCOME QUALIFYING

## **Self Certification ACTIVITIES:**

- ✓ Public Services/Facilities
- ✓ Micro Technical Assistance or Support Services
- ✓ Business Assistance Jobs (retained or created)

<http://www.hcd.ca.gov/fa/cdbg/GuideFedPrograms.html>

**Grantees must use the Self Certifications in Chapter 7 of the *Federal Programs Income Manual***

# CDBG INCOME QUALIFYING

- **Housing:**
  - ✓ Housing Acquisition (Homebuyer Assistance)
  - ✓ Housing Rehab (single family includes 1- 4 units)
  - ✓ Multi-family Projects (5 or more units) acquisition only, rehabilitation only, or acquisition/rehabilitation combination

# CDBG PART 5 INCOME QUALIFYING

The Part 5 definition of annual income is the total of all of the *adult household members' gross income* that is *anticipated* to be received during the coming 12-month period. Each of these italicized phrases is key to understanding the requirements for determining eligibility.

# CDBG PART 5 INCOME QUALIFYING, continued

- ❖ NOTE: INCOME QUALIFYING BEGINS WITH DETERMINING WHO IS IN THE HOUSEHOLD. Generally, include:
- All adult members and their children living with them, and
  - Temporarily absent adult members, &
  - All Current and/or Future members at the time the National Benefit is met.
- Documentation must clearly support all.



# CDBG PART 5 INCOME QUALIFYING, continued

Special consideration is given for:

- Adult students living away from home
- Temporary household member
- Temporarily absent family members
- Permanently absent family members

Remember, file documentation must clearly support the household members used in determining eligibility.

# CDBG PART 5 INCOME QUALIFYING, continued

Some incomes are *not* included (although they must be documented):

- Earned income of minors (less than 18 years of age)
- Earned income from full-time students after the first \$480 (except head of household or spouse)
- Income of live-in aides

# CDBG PART 5 INCOME QUALIFYING, continued

- Annual Gross\* Income
  - Sum of household income
  - Defined at 24 CFR Part 5.609
  - Determined using “Part 5” method

\*Gross income is the amount earned before any taxes or deductions are taken out.

# CDBG PART 5 INCOME QUALIFYING, continued

## Sources of Income:

- Wages, salaries, overtime, bonuses, commissions, tips, shift differential pay, piece work payments, etc.
- Periodic payments such as SSI or Social Security
- Payments in lieu of earnings such as disability or unemployment benefits
- Net income from a business

# CDBG PART 5 INCOME QUALIFYING, continued

## Sources of income, continued

- Payments from annuities, retirement, pensions, death benefits, etc., including a lump-sum amount for prospective monthly payments with a delayed start (except for deferred payment amounts)
- Alimony payments received, and regular contributions or gifts

# CDBG PART 5 INCOME QUALIFYING, continued

RECAP: Income = gross amount of all wages, salaries, overtime, commissions, tips & bonuses; net income from businesses; interest, dividends, & net income of any kind from real or personal property; periodic payments such as SSI & Social Security; payments in lieu of earnings; welfare assistance (not food stamps); periodic & determinable allowances, alimony, child support & gifts; all regular & special pay and allowances for armed forces (not hostile fire pay).

# CDBG PART 5 INCOME QUALIFYING, continued

INCOME includes the amount generated by an Asset.

- Generally, an asset is cash, or a non-cash item that be converted to cash.
- Most checking, saving, 401K, revocable trust, or IRA accounts are cash assets, where the value is easily identified on the statement.

# CDBG PART 5 INCOME QUALIFYING, continued

- If the asset is a non-cash item (real estate, coin collections, antique cars, etc.), the current market value less the reasonable expenses required to convert it to cash gives the value.
- Mortgages or notes that generate income (the payments due) are included in household income.



# CDBG PART 5 INCOME QUALIFYING, continued

## ASSETS *Not* Included:

- Applicant's Current residence Real Property (house being rehabilitated, or the micro-business owner's residence)
- Personal Property (applicant's furniture, clothes, the car they drive to work, etc.)

# **CDBG PART 5 INCOME QUALIFYING, continued**

Anticipated (Projected) Income  
vs.  
Historical Income

# CDBG PART 5 INCOME QUALIFYING, continued

HCD requires Grantees use the Third-Party Verifications

Sample verification forms can be found in the *Income Guide's* Appendices

# CDBG PART 5 INCOME QUALIFYING, continued

## Part 5:

Verifications sent to all income sources:  
Employers, Social Security Admin.,  
EDD + Public assistance agencies,  
Veteran's Administration, etc.

Note: To use tax returns as income documentation they must be certified by the IRS—(use form 4506-T)

# **CDBG PART 5 INCOME QUALIFYING, continued**

## **Part 5:**

**Assets must also be documented through third party verification, since the income they produce must be included.**

# CDBG PART 5 INCOME QUALIFYING, continued

Source Documents include  
(but are not limited to):

Paystubs (either 3 months or 12 months, depending on type of employment), W-2s, tax returns, bank statements, award letters, child support payment records, court awards, etc.

# CDBG PART 5 INCOME QUALIFYING, continued

Once you receive all of the needed verifications and documentation, it is critical to review and compare all of the information in the file for consistency (the application, all verifications, source documents, etc.). Any variances must be resolved prior to certifying the income.

# CDBG PART 5 INCOME QUALIFYING, continued

Make sure you are comparing apples to apples, and not apples to grapefruit.

- Pay periods; weekly, twice a month, every other week, monthly, each job, etc.
- Temporary / seasonal pay vs. Regular, year round income (12 mo vs. 3 mo reveiw)
- Number of hours worked.



# CDBG PART 5 INCOME QUALIFYING, continued

What if discrepancies occur between the:

- Application
- Verifications
- Source documents
- Other information gathered

# **CDBG PART 5 INCOME QUALIFYING, continued**

Once all documentation is received and analyzed, what documentation is needed to show income determination?

# RED FLAGS and Cautionary Tales

Use the Income Limits at the time of certification, not at the time of application.

(Suggestion: print it out each time and put it in the file.)

# RED FLAGS and Cautionary Tales

When can I:

- 1) Let a household know they are over the income limits?
- 2) Let a household know they qualify?
- 3) Sign an agreement with a household?

# RED FLAGS and Cautionary Tales

Income certification is good for 6 months\*.

Do your guidelines reflect a waiting period for reapplying if denied based on income?

\*Self-Help Housing and Lease Option/Rent to Own qualifying is done at commitment (the beginning of the construction or rent period, for instance), not when the Note is signed for the purchase portion.

# RED FLAGS and Cautionary Tales

## RED FLAGS:

- Recent job change for less income
- Monthly deposits exceed take home pay
- Irregular income
- Sporadic income
- No income
- Discrepancies between documents

# RED FLAGS and Cautionary Tales

The applicants are not able to provide sufficient information and/or documentation that will clear up the discrepancies in the file.

# THOMAS' Top 10 Things to Know about Income Determination

# 1 – If the activity does not meet a National Objective it is **ineligible** and the jurisdiction must return all activity and activity delivery funds.



# THOMAS' Top 10 Things to Know about Income Determination

# 2 – The application is where it all starts – ask the right questions and you will get the right information.

# THOMAS' Top 10 Things to Know about Income Determination

# 3 – The first critical step in the Income Determination process is documenting the household size.

# THOMAS' Top 10 Things to Know about Income Determination

# 4 – “Total Household Income” is the amount of verifiable income anticipated to be received over the next 12 months.

# THOMAS' Top 10 Things to Know about Income Determination

# 5 – Income from ASSETS must be documented and included in the household's Total Income.

# THOMAS' Top 10 Things to Know about Income Determination

# 6 – Zero income (which is still income) must be documented, just like all income received is documented.

# THOMAS' Top 10 Things to Know about Income Determination

# 7 – Third Party Documentation is required for Direct Financial Assistance.

# THOMAS' Top 10 Things to Know about Income Determination

# 8 – All discrepancies or conflicting information must be resolved PRIOR TO Assistance.

# THOMAS' Top 10 Things to Know about Income Determination

# 9 – Be sure you are using the right income limits *each* time (don't assume they have not changed).



# THOMAS' Top 10 Things to Know about Income Determination

# 10 – Ask questions! Get clarification from the household and document, document, document!

Ask HCD if you are unsure.

# THOMAS' Top 10 Things to Know about Income Determination

# 11 – Do not certify income alone! Have someone else review your work.

# THOMAS' Top 10 Things to Know about Income Determination

# 12 – The Income Determination must be completed PRIOR to assistance (the signing of a note, grant, participation agreement, etc. with the household).

# THOMAS' Top 10 Things to Know about Income Determination

# 13 – Income Determinations expire!  
Watch the time between income determination and assistance.

# Did we meet TODAY'S OBJECTIVE?

- ✓ By the time you leave today, you will understand the different CDBG National Objectives, when to use each one, have a working knowledge of the INCOME determination process, recognize red-flag issues and know what is required for a fully documented file.

# Thank You!

*Are you on the HCD CDBG Listserv list?*  
[http://www.hcd.ca.gov/fa/DFA\\_Subscribe\\_r.html](http://www.hcd.ca.gov/fa/DFA_Subscribe_r.html)

*Send income questions to*  
[Incomemanual@hcd.ca.gov](mailto:Incomemanual@hcd.ca.gov)













